

I rise in support of the Mortgage Reform and Anti-Predatory Lending Act (H.R. 1728), and to commend my colleagues Brad Miller, Mel Watt and Chairman Frank for their leadership and hard work on this measure. I note that Rep. Miller has worked on this matter for years, long before it became such a consuming issue. I urge my colleagues to support it.

A host of factors contributed to the economic crisis we have been suffering from over the past year, and it is fitting that the term “perfect storm” has so often been used to describe it. But the abusive and predatory practices of certain mortgage lenders certainly are among the factors that top the list. Somewhere along the way, prudent business judgment and careful long-term risk assessment were muscled out of the way by short-term profit seeking, with no thought of the impact that would have on the broader economy in the long run. The end result: the highest rate of home foreclosures in a quarter of a century.

Today, we take another important step in guiding our economy back towards its once stable footing, by prohibiting predatory lending and abusive lending practices, holding banks responsible for the home mortgages they issue, and protecting tenants whose residences go into foreclosure despite their own timely payment of rent.

One of the most prevalent abuses by subprime loan originators has been the practice in which they steer prospective borrowers towards loans that will provide originators with the highest near-term payoff, sometimes through fees the broker or loan officer collects by directing borrowers towards those loans. The Mortgage Reform and Anti-Predatory Lending Act would prohibit mortgage brokers and bank officers from directing borrowers towards loans that will ultimately become more expensive than they can afford, and would mandate that lenders only issue loans that the borrowers can repay. In addition, it will require loan originators to disclose to borrowers any compensation they receive in connection with the mortgage transaction.

One of the reasons loan originators have been unconcerned about issuing loans that they know borrowers might not be able to pay off is because loan originators in recent years have tended immediately to resell, or securitize, the mortgage loans they originate. Therefore, they only retained the risk associated with issuing an unstable loan for a brief period, and then the risk was transferred elsewhere. The Mortgage Reform and Anti-Predatory Lending Act calls for new regulations to require loan originators to retain at least a five percent interest in every loan they issue. Once they are required to retain some of the long-term risk of a borrower defaulting on the loan, the issuers should be expected to reinstate more prudent loan origination practices. In addition, the bill would hold the secondary mortgage market – the institutions that have been purchasing and securitizing mortgages – responsible for complying with the same standard when they purchase and package mortgages for resale.

And the Mortgage Reform and Anti-Predatory Lending Act also includes important protections for some of the most innocent and vulnerable victims of the foreclosure crisis – namely, tenants who reliably pay their rent on time, but wind up homeless when their landlords fail to do the same with their mortgage payments, and their properties go into foreclosure. The bill would require that tenants in such circumstances receive adequate advance notice and are provided with an opportunity to relocate before the foreclosure is completed.

The Mortgage Reform and Anti-Predatory Lending Act includes many important reforms and protections. I am pleased to support it and I urge my colleagues to do the same.